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RUEHLP/AMEMBASSY LA PAZ AUG SANTIAGO 0801
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DEPT FOR WHA/AND, WHA/EPSC, EB/OMA, EB/TPP
COMMERCE FOR 4331/MAC/WH/MCAMERON
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GENEVA FOR USTR

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SUBJECT: PERU TRADE ENVOY DE SOTO: GOP WON'T MODIFY PTPA

REF: LIMA 3283

¶1. Summary: President Garcia's personal representative for the U.S.-Peru Trade Promotion Agreement (PTPA), Hernando de Soto (see REFTEL), made the press rounds over the weekend to better explain his new role and to correct the false impression that the GOP would seek to renegotiate the PTPA. De Soto explained that the agreement had already been concluded and said, "we will not touch the agreement, we won't touch one hair of the PTPA, it has already been negotiated." De Soto's remarks were echoed by Prime Minister Jorge del Castillo. De Soto also said he would make internal policy reform recommendations to President Garcia on how to include more segments of the Peruvian economy in export-oriented activities. In fact, most of De Soto's comments to the press highlighted his ideas for selling the PTPA to domestic constituents. Ambassador will meet with De Soto August 22; Embassy will provide a readout SEPTEL. End Summary.

¶2. President Garcia's newly named personal representative for the U.S.-Peru Trade Promotion Agreement (PTPA), Hernando de Soto, made the press rounds over the weekend to better explain his new role and to correct the impression that the GOP would seek to renegotiate the PTPA. De Soto explained that the agreement had already been negotiated and that the Peruvian Congress had already ratified it by an overwhelming margin. On an August 18 evening TV news program, De Soto said, "we will not touch the agreement, we won't touch one hair of the PTPA, it has already been negotiated." These remarks were carried by all the major newspapers the next day. He further explained that free trade and competition were what had enabled both the U.S. and the European Union to grow economically.

¶3. De Soto's remarks were echoed by Prime Minister Jorge del Castillo, who stressed that the GOP would not renegotiate the PTPA with the United States. The Prime Minister, who hails from the "business-friendly" wing of Garcia's APRA party, confirmed that the GOP's strategy and efforts in Washington to promote the PTPA would be on the agenda of his scheduled address to Congress next week.

¶4. De Soto said his primary mission was to promote passage of the PTPA by the U.S. Congress. He warned that passage this year would be especially difficult because of the November congressional elections. He cited the post-election, November 13 to December 26 timeframe as the most likely window for passage. De Soto plans to travel to Washington in September, once the U.S. Congress is back in session.

15. De Soto explained that President Garcia had also asked him to recommend internal reforms that would allow as many Peruvians as possible to take advantage of the opportunities created by the agreement. De Soto and his Liberty and Democracy Institute (ILD) have long argued for the need to bring small entrepreneurs into the formal economy by reducing bureaucratic red tape and increasing property titling. A joint Inter-American Development Bank (IDB)-ILD study found that only two percent of Peruvian companies were currently ready to take advantage of the opportunities created by the PTPA, a statistic much repeated in the media. De Soto will recommend reforms to the Garcia Administration that will help give more small and medium-sized Peruvian businesses the legal standings necessary to export effectively to the U.S. The Garcia Administration has characterized its PTPA outreach to these domestic constituencies a "free trade agreement from the inside."

16. Ambassador Struble meets with De Soto August 22. Embassy will provide a readout of this meeting SEPTEL.

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